

AR27

1969 ANNUAL REPORT

PORTER

H. K. PORTER COMPANY, INC.





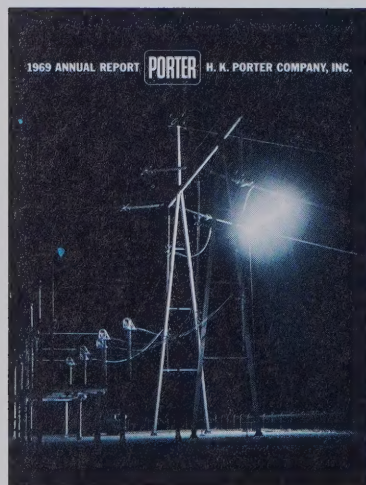
1969 ANNUAL REPORT

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Front Cover:

Electrical Division supplied "Delta-Star" 500 KV, MK-40A switches for this Arizona Public Service Company installation at Moenkopi Substation, the largest switching station in Arizona. Fiery effect resulted from fault tests conducted to verify proper operation of the installed equipment.

Arizona Public Service Company photo

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The First National City Bank of New York,
New York

STOCK REGISTRAR

Morgan Guaranty Trust Company of
New York, New York

AUDITORS

Arthur Andersen & Co.
Pittsburgh, Pennsylvania

March 20, 1970

*To the Stockholders of
H. K. Porter Company, Inc.:*

Throughout 1969, the severe cost squeeze, which the Company found itself in during 1968, continued. As a result, profits for the year were seriously depressed. Certain of these problems are still present.

Despite the reverses experienced in 1969, income from operations, before taxes, depreciation, and extraordinary items, was higher than in 1968.

SALES AND EARNINGS

Net sales in 1969 were \$289,838,712 compared to \$279,121,958 in 1968. Net earnings for 1969 amounted to \$4,113,231, including an extraordinary income credit, net of taxes, of \$213,652. Net earnings in 1968 were \$3,830,210.

Per share earnings in 1969 were \$2.46 per Common share, after provision for dividends on Preference Stock, as compared to \$2.24 per Common share in 1968, of which extraordinary income amounted to \$.16 per Common share in 1969 and \$.72 in 1968.

Effective January 1, 1969 the Company changed its method of computing depreciation from accelerated methods to the straight-line method. The effect of this change was to increase net income for the year ended December 31, 1969 by \$908,000 or \$.69 per Common share.

Cash flow (earnings plus depreciation of \$6,346,458) for 1969 was \$8.18 per Common share, compared to \$8.75 per Common share in 1968.

ACQUISITIONS AND DIVESTMENTS

In February, 1969, H. K. Porter Company, Inc. acquired the Tallman-McCluskey Asbestos Fabrics Co., St. Louis, a manufacturer of a range of asbestos textile products. The acquisition complements present lines of the Thermoid Asbestos Group plants and, in addition, permits better customer service to the Gulf and West Coast regions.

H. K. Porter Company (Canada) Limited acquired the Cansfield Electrical Works Limited, Toronto, a manufacturer of distribution and power transformers,

and Shurly-Dietrich-Atkins Company Limited, the only Canadian manufacturer of jig and reciprocating saw blades.

During the past year, the Stuarts Draft copper tube mill of the Fabricated Metals Division was sold. The Prentiss Works in the same division has ceased operation, with major equipment transferred to the Alloy Works and the Riverside Works. The Christy Works of the Refractories Division was also sold.

NEW PLANTS AND PLANT IMPROVEMENTS

Capital expenditures for plant and equipment during 1969 totaled \$9,350,000. Each domestic division as well as the international operations shared in the expenditures.

Major expansion in the Connors Steel Division continues, particularly at the Birmingham plant. A new, high speed bar mill there will permit a considerable increase in the amount of steel rolled and sizes offered.

In the Disston Division, extensive programs include rebuilding of large parts of the Philadelphia Works, and a 40,000 square foot addition to the Danville Works, scheduled for completion in March. New equipment and a new facility at the Philadelphia plant permits entry into the machine ways market.

New facilities in the Fabricated Metals Division included a tandem rolling mill, stranding equipment, take-up units, and coil grinder at the Alloy Works. Equipment transferred from Prentiss Works has improved manufacturing and delivery capabilities at the Riverside operation.

The Electrical Division placed contracts for expansion of the Warren Works to increase centrifugal blower production and also to provide for a modern testing laboratory. At the Ambridge Works, the modernization program for electrical metallic tube manufacture was completed; and the Belmont Works installed a new impulse generator, the largest in the Western Region.

The Bellefontaine, Ohio, plant of the Thermoid Division started up during 1969, and is manufacturing a number of hose products. Additional equipment for molded curing of open cell sponge products was installed at Brown Rubber Works; Nephi Works added three new impulse testing units; and the Charlotte Works installed additional equipment for the manufacture and treating of various grades of cloth.

In the Refractories Division, an expansion program

at the Pascagoula Works will increase seawater pericase production.

In April, last year, the new Porter-Brasil plant at Recife went into full production of electric motors.

Highlights of Division operations are provided in the Operations Section, beginning on page 10.

FINANCIAL NOTES

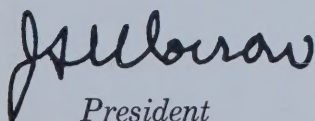
No definitive action has resulted from discussions with the Internal Revenue Service during 1969 in connection with its proposal to disallow certain deductions claimed in the years 1955 through 1960 attributable primarily to pre-acquisition and post-acquisition losses of the former National Electric Products Company (1959 through 1960) and the former Henry Disston & Sons, Inc. (1955 through 1960). It is the opinion of the Company's counsel that the contentions of the Internal Revenue Service are wholly without merit. Management is of the opinion that the accumulated tax reserve in the accounts at December 31, 1969 is adequate.

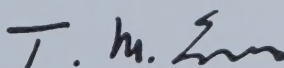
The Company's pension plans for hourly and salaried employees are accounted for and funded under the entry age normal and attained age normal methods. Pension cost provisions for 1969 amounted to \$1,313,115, including amortization of prior service costs over a 40-year period. The value of vested benefits exceeds the total of the pension fund and accruals by approximately \$5,020,000, as of the date of valuation.

The extraordinary items net of income taxes in 1969 consist of gain on sale of a plant in St. Louis, \$833,000; loss due to hurricane at Pascagoula, \$334,348; foreign currency devaluation, \$55,000, and losses due to plant closings, \$230,000.

During the year, in addition to dividends on Preference Stock, the Company paid four quarterly dividends of \$.40 per share to the holders of Common Stock. And, at the February, 1970 meeting of the Board of Directors, the quarterly dividend on Common Stock was cut to \$.25, because of the present tight money situation and the current business outlook.

Cordially yours,


President


Chairman

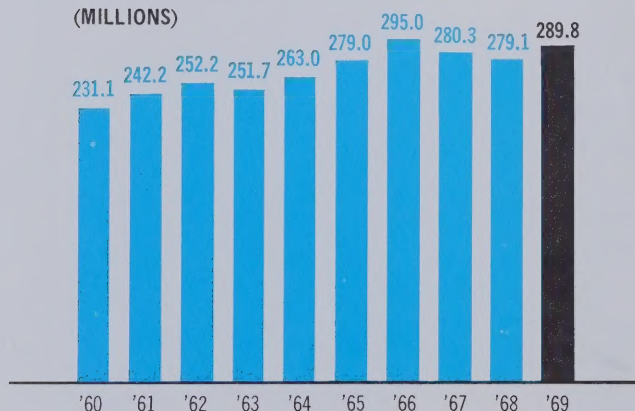
Ten-Year Consolidated Financial Summary

	Net Sales	Earnings Before Taxes	Earnings After Taxes	Working Capital	Charges for Depreciation and Amortization	Common Stockholders			
						Equity		Earnings Per Share*	Cash Flow Per Share*
						Total	Per Share*		
1960	\$231,131,488	\$ 6,397,062	\$4,093,525	\$42,030,356	\$7,438,203	\$54,502,194	\$41.23	\$2.10	\$ 7.73
1961	242,157,668	5,998,039	3,458,311	58,632,347	7,964,130	55,061,457	41.66	1.67	7.70
1962	252,179,013	8,081,021	4,169,876	60,637,259	8,019,663	56,320,073	42.61	2.25	8.32
1963	251,687,132	7,887,498	4,014,498	59,034,679	7,674,758	56,352,722	42.63	2.21	8.02
1964	263,045,895	9,274,434	5,134,434	52,652,597	7,704,340	58,779,026	44.47	3.19	9.02
1965	278,990,242	10,701,308	5,713,308	55,080,148	8,043,894	61,804,687	46.76	3.65	9.74
1966	294,985,335	13,929,090	7,440,090	61,278,812	7,683,682	66,587,079	50.38	5.01	10.82
1967	280,310,952	7,702,325	4,274,325	53,772,790	8,219,894	67,851,601	51.33	2.57	8.79
1968	279,121,958	6,948,537	3,830,210	56,570,300	8,606,362	68,716,865	51.99	2.24	8.75
1969	289,838,712	8,013,293	4,113,231	51,992,822	6,346,458	69,822,384	52.94	2.46	8.18

*Adjusted for stock dividends and splits

NET SALES

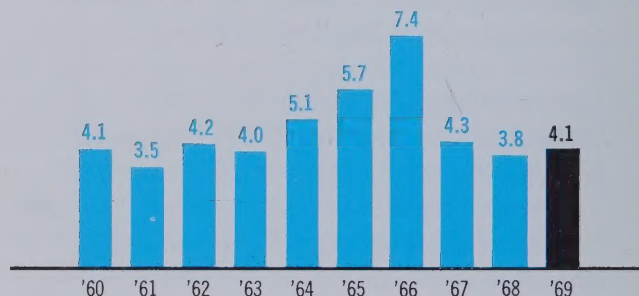
(MILLIONS)



NET EARNINGS

(after taxes)

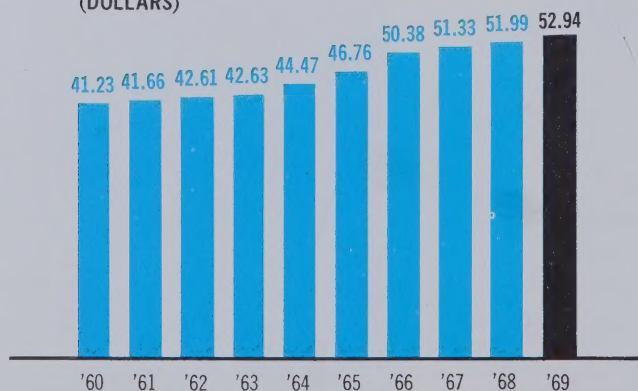
(MILLIONS)



COMMON STOCKHOLDERS EQUITY

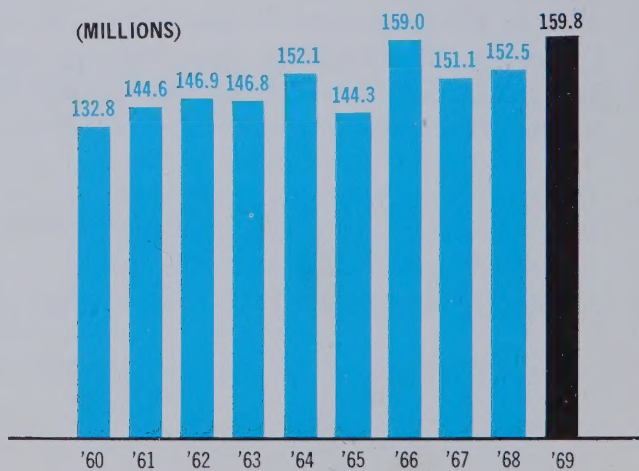
per share (adjusted for stock dividends and splits)

(DOLLARS)



GROWTH IN TOTAL ASSETS

(MILLIONS)



Statement of Consolidated Income

FOR THE YEARS ENDED
DECEMBER 31, 1969 AND 1968

	1969	1968
Net Sales	\$289,838,712	\$279,121,958
Cost of Sales	251,209,210	242,554,367
	<u>\$ 38,629,502</u>	<u>\$ 36,567,591</u>
Selling, General and Administrative Expenses	28,593,957	29,219,258
	<u>\$ 10,035,545</u>	<u>\$ 7,348,333</u>
Interest and Other:		
Interest on borrowings	\$ 2,168,889	\$ 2,039,566
Other income, net	227,985	315,769
	<u>\$ 1,940,904</u>	<u>\$ 1,723,797</u>
Net Income Before Provision for Taxes and Extraordinary Items	\$ 8,094,641	\$ 5,624,536
Provision for Taxes on Income:		
Current	2,995,062	2,743,327
Deferred	1,200,000	—
Net income before extraordinary items	<u>\$ 3,899,579</u>	<u>\$ 2,881,209</u>
Extraordinary Items, net of (\$295,000) income tax in 1969 (Note Page 3)	213,652	949,001
Net income for the year	<u><u>\$ 4,113,231</u></u>	<u><u>\$ 3,830,210</u></u>
Net Income per Share of Common Stock:		
Income before extraordinary items	\$2.30	\$1.52
Extraordinary items, net of income tax16	.72
Net income for the year	<u><u>\$2.46</u></u>	<u><u>\$2.24</u></u>

Consolidated Balance Sheet

ASSETS	1969	1968
Current Assets:		
Cash	\$ 4,478,813	\$ 8,390,612
Marketable securities, at cost (quoted market \$1,590,188 in 1969)	2,295,101	800,892
Receivables, less allowance of \$930,579 in 1969	37,808,184	34,165,903
Inventories, at lower of cost or market:		
Raw materials and supplies	\$ 18,811,699	\$ 17,756,637
Work in process	17,784,137	16,715,788
Finished goods	21,027,487	19,789,693
	\$ 57,623,323	\$ 54,262,118
Less allowance to state certain inventories on LIFO basis	7,212,721	6,131,196
Total inventories (including \$35,802,220 on LIFO basis in 1969)	\$ 50,410,602	\$ 48,130,922
Prepaid insurance and other	\$ 1,322,376	\$ 860,745
Total current assets	\$ 96,315,076	\$ 92,349,074
 Investment in Pacific Asbestos Corporation, at cost	 \$ —	 \$ 2,284,046
Other Assets	1,284,674	1,599,430
 Property, Plant and Equipment, at cost, less depletion, depreciation and amortization:		
Land	\$5,322,796	\$ 3,750,083
Buildings	40,501,392	39,257,517
Machinery and equipment	128,136,944	119,885,277
	\$173,961,132	\$162,892,877
Less accumulated depreciation and amortization	111,719,254	106,662,069
Net property, plant and equipment	\$ 62,241,878	\$ 56,230,808
	\$159,841,628	\$152,463,358

December 31, 1969 and 1968

LIABILITIES	1969	1968
Current Liabilities:		
Short-term loans and current portion of long-term debt . .	\$ 6,337,394	\$ 4,691,095
Accounts payable, trade	17,107,706	12,148,757
Accrued payrolls, taxes and other liabilities	11,960,199	10,938,688
Accrued taxes on income (Note Page 3)	7,824,176	7,256,484
Accrued pension expense (Note Page 3)	1,092,779	743,750
Total current liabilities	<u>\$ 44,322,254</u>	<u>\$ 35,778,774</u>
Long-Term Debt, less current portion:		
5¼% promissory notes, payable April 1, 1976; annual prepayment of \$2,000,000 through 1975	\$ 17,000,000	\$ 19,000,000
5¼% to prime plus ¼% bank notes, payable 1971 and 1973; annual payment of \$1,142,857 at option of holder	8,857,143	10,714,286
Other, various rates and maturities through 1981	1,379,877	1,159,611
	<u>\$ 27,237,020</u>	<u>\$ 30,873,897</u>
Deferred Income Taxes	1,200,000	—
Other Deferred Credits	1,497,170	1,398,322
Stockholders' Equity:		
5½% cumulative sinking fund preference stock— par value \$100 per share—subject to annual sinking fund requirements—authorized 202,612 shares, issued 172,413 shares, less 14,785 treasury shares in 1969	\$ 15,762,800	\$ 15,695,500
Common stock—par value \$5 per share— authorized 3,000,000 shares, issued 1,322,587 shares, less 3,624 treasury shares	6,594,815	6,608,915
Capital surplus	2,253,495	2,505,044
Earned surplus (\$3,290,000 for common stock or \$6,290,000 for preference stock not restricted in 1969 as to cash dividends under loan agreements) . .	60,974,074	59,602,906
Total common stockholders' equity	<u>\$ 69,822,384</u>	<u>\$ 68,716,865</u>
Total stockholders' equity	<u>\$ 85,585,184</u>	<u>\$ 84,412,365</u>
	<u>\$159,841,628</u>	<u>\$152,463,358</u>

Statement of Consolidated Surplus

FOR THE YEARS ENDED
DECEMBER 31, 1969 AND 1968

Capital Surplus:

	1969	1968
Balance beginning of year	\$ 2,505,044	\$ 2,690,909
Deduct—		
Net excess of cost over (under) par value of capital stock reacquired	10,431	(20,529)
Transfer to earned surplus of portion of excess of book values of net assets of acquired companies over investments therein deemed to be realized through sales, retirements or depreciation	241,118	206,394
Balance end of year	<u>\$ 2,253,495</u>	<u>\$ 2,505,044</u>

Earned Surplus:

Balance beginning of year	\$59,602,906	\$58,551,777
Add—		
Net income for the year	4,113,231	3,830,210
Transfer from capital surplus, as explained above	241,118	206,394
	<u>\$63,957,255</u>	<u>\$62,588,381</u>
Deduct—		
Dividends on:		
5½% Preference stock	\$ 869,951	\$ 870,622
Common stock—\$1.60 per share	2,113,230	2,114,853
	<u>\$ 2,983,181</u>	<u>\$ 2,985,475</u>
Balance end of year (\$3,290,000 for common stock or \$6,290,000 for preference stock not restricted in 1969 as to cash dividends under loan agreements)	<u>\$60,974,074</u>	<u>\$59,602,906</u>

Statement of Changes in Consolidated Net Working Capital

FOR THE YEARS ENDED
DECEMBER 31, 1969 AND 1968

Source of Net Working Capital:

	1969	1968
Net income	\$ 4,113,231	\$ 3,830,210
Depreciation and amortization	6,346,458	8,606,362
Amortization of excess of book value of subsidiaries acquired over cost	(827,967)	(164,105)
Deferred income taxes	1,200,000	—
Working capital provided from operations	\$10,831,722	\$12,272,467
Disposals of property, plant and equipment	2,113,516	1,527,618
Net decrease in other assets	358,279	87,516
Long-term bank loan	—	5,000,000
	<u>\$13,303,517</u>	<u>\$18,887,601</u>

Use of Net Working Capital:

Additions to property, plant and equipment	\$ 9,350,000	\$ 6,857,723
Retirement of long-term debt, net	3,905,284	3,581,615
Dividends paid	2,983,181	2,985,475
Property and other assets less long-term debt and other deferred credits of companies acquired	1,277,211	(561,504)
Investment in non-consolidated subsidiary	—	2,284,046
Net decrease in other deferred credits	94,788	829,265
Reacquisition of common and preference stock	270,531	113,471
	<u>\$17,880,995</u>	<u>\$16,090,091</u>
Net increase (decrease) in working capital	<u>\$ (4,577,478)</u>	<u>\$ 2,797,510</u>

Accountants' Report

To the Stockholders and the Board of Directors,
H. K. Porter Company, Inc.:

We have examined the consolidated balance sheet of H. K. PORTER COMPANY, INC. (a Delaware corporation) and subsidiaries as of December 31, 1969, and the related statements of income, surplus and changes in net working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income, surplus and changes in net working capital present fairly the financial position of H. K. Porter Company, Inc. and subsidiaries as of December 31, 1969, and the results of their operations and the changes in net working capital for the year then ended, in conformity with generally accepted accounting principles which, other than for the change to the straight-line method of computing depreciation (which we approve) as described on page 1, were applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Pittsburgh, Pennsylvania,
January 23, 1970

OPERATIONS REPORT Domestic

CONNORS STEEL DIVISION

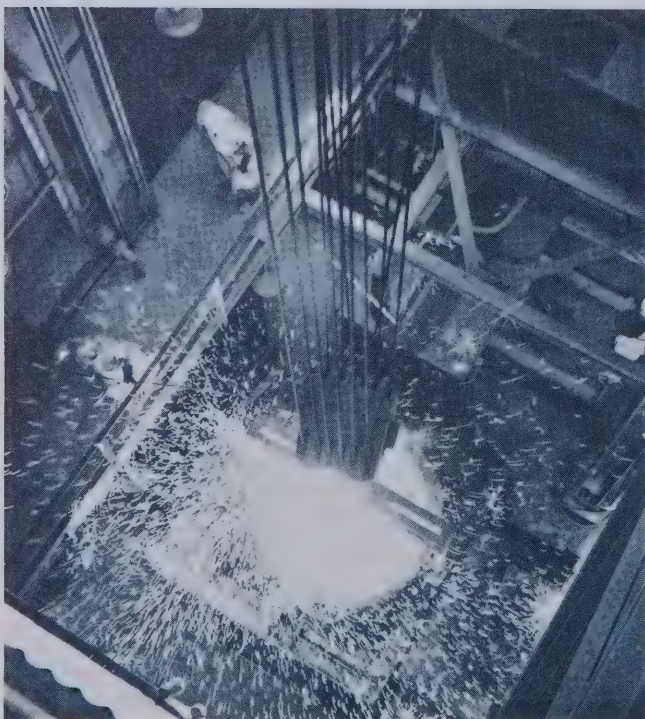
Hot rolled merchant bars and bar shapes, concrete reinforcing bars, bulb tees, cold finished bars, mine roof bolts, special sections, light rails, mine ties. Plants at Birmingham, Ala.; New Orleans, La. and Huntington, W. Va.

H. T. Montgomery

Vice President and General Manager

In 1969, the Connors Steel Division set new production and sales records for both the Connors and West Virginia Works. With the steel industry having a much better year than anticipated, Connors shared in an active demand for finished steel. More total net tons of steel were melted, rolled, and shipped by the Division in 1969 than in any previous year.

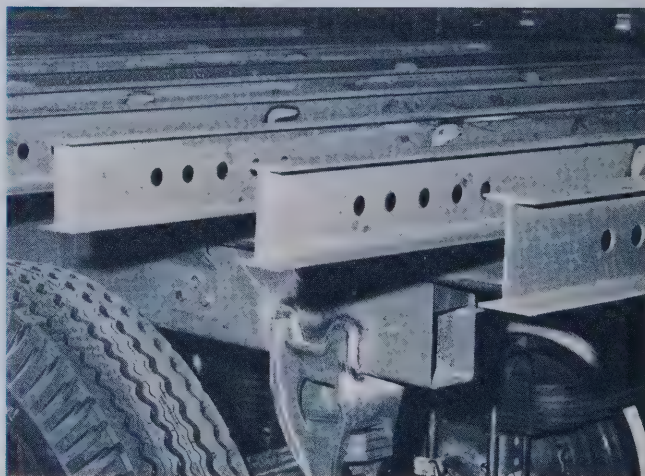
Included in major developments planned for the Connors Works is installation of a new, high speed 14 inch bar mill. The continuous in-line facility, with both vertical and horizontal stands, will permit a considerable increase in the amount of steel rolled and in sizes offered. It will also aid Connors in penetration of additional markets.



Light structurals produced at Connors Works play a significant role in power transmission facilities.

In conjunction with the new mill, a modern walking beam hot bed will be installed for more efficient handling of products from the rolling mill. Improved heating and finishing facilities are also scheduled.

The West Virginia Works continued to upgrade its products with the addition of specialty products rolled from new grades of high strength steels. Both Connors and West Virginia Works are going forward with intensive efforts to reduce operating costs while improving efficiency at all levels.



Special steel crossmembers supplied by West Virginia Works form basic structural supports for trailers.

At Connors Works, a ladle of hot steel is lifted to continuous casting tower for casting into billets.



Major building program at Danville includes this 40,000 square foot addition scheduled for early 1970 completion.

DISSTON DIVISION

Saws and cutting tools for lumber and metalworking industries; hand, power tools, and "Carlson" steel tape rules for artisan and home use; garden tools; machine knives; machine ways. Plants at Monrovia, Calif.; Philadelphia, Pa.; Danville, Va. and Seattle, Wash.

John W. Puth

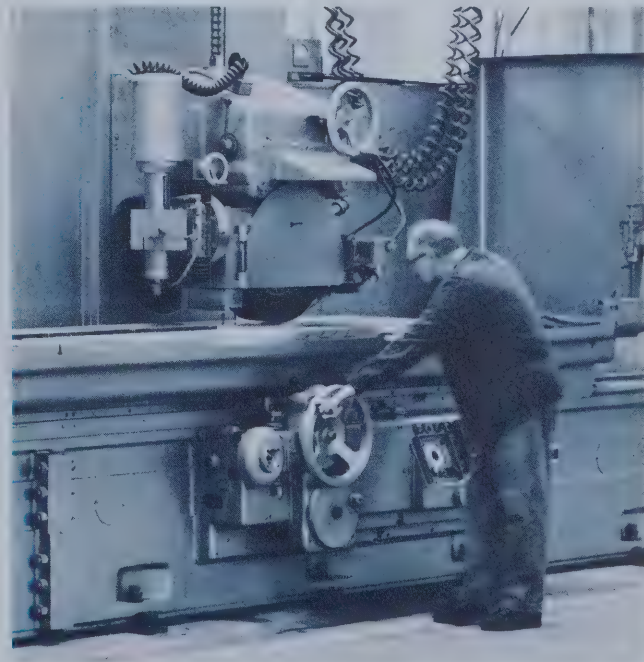
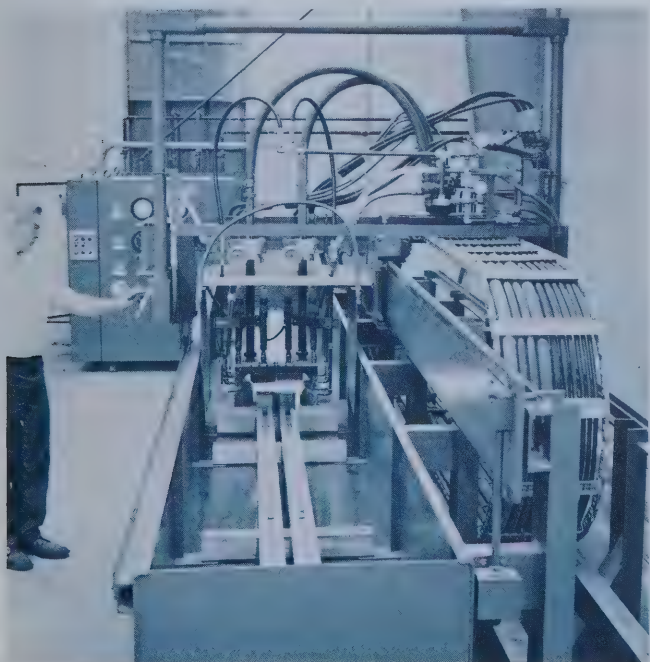
Vice President and General Manager

In 1969, the Division again achieved record sales despite some softening in major markets served. Increased penetration and new product development combined to offset the decline in the housing and lumber industries. To ensure continued growth, a substantial capital expansion program has been undertaken, with expenditures in 1969 exceeding the total amount for the previous five year period.

Major programs are currently under way at all four plants. Included is a 40,000 square foot addition to the Danville Works, scheduled for completion in March; and rebuilding of large portions of the Philadelphia Works.

With the installation of new equipment, the Philadelphia operation has sharply improved capabilities in the manufacture of machine knives and valve discs, and has entered the shear blade and machine ways markets. The latter operation is fully integrated, with a new facility and modern equipment for close tolerance grinding, high production milling, and flame hardening.

Seattle Works, the other Disston plant serving the lumber industry, will install a numerically controlled turning center for use on a number of product lines, particularly cutterheads. Further expansion in carbide saw blade production will double present capacity.



New facility and all new equipment at Philadelphia Works permits entry into the machine ways market. Included in the fully integrated operation are flame hardening (left) and close tolerance grinding (right) equipment.



In maintaining product leadership, the Division introduced the first self-contained cordless electric grass shear.

Product development at the Carlson Rules Works in Monrovia, California, has dictated requirements for additional printing capacities. New presses to be installed in June will enable printing both sides of tape rules in multiple colors.

In the consumer product line, a Disston Cordless Electric Grass Shear was introduced late in 1969. The first and only self-contained product of its type available, the new shear has been hailed as a major innovation in powered garden products. Advantages for the user are ease of handling, light weight, speed and, of course, no cord. It is anticipated that this product will make important contributions in the future.

Division growth is projected to continue during 1970, even with a general economic leveling. New market penetration, facility expansion, and new product development should help the Division achieve that goal.



Numerically controlled turning center to be installed at Seattle Works will be utilized on cutterheads and several other product lines.

ELECTRICAL DIVISION

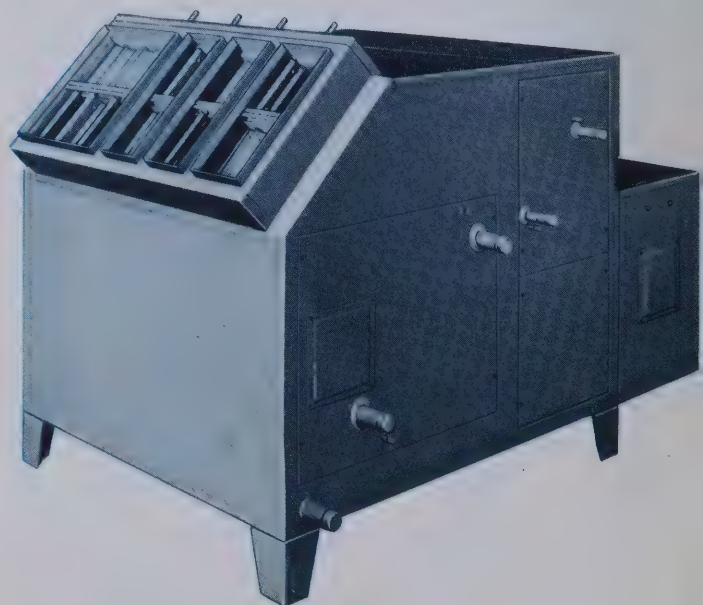
Air Conditioning Group: "Marlo Coil" heat transfer, commercial and industrial air conditioning equipment, "Peerless Electric" standard and special electric motors, industrial and commercial fans and blowers and ventilating equipment. Electrical Construction Group: "Superior" metal trim, "National Electric" conduit and fittings, surface and underfloor raceway systems, floor boxes, ladderway, special defense products. Switchgear Group: "Delta-Star" high and low voltage switches, isolated phase and industrial bus, substations, connectors, terminators, cable accessories. Transformer Group: "Delta-Star" distribution and power transformers, current collector systems. Plants at Springdale, Ark.; Belmont, Calif.; Chicago, Ill.; St. Louis, Mo.; Warren, Ohio; Ambridge, Pa. and Lynchburg, Va.

Walter A. Curtis

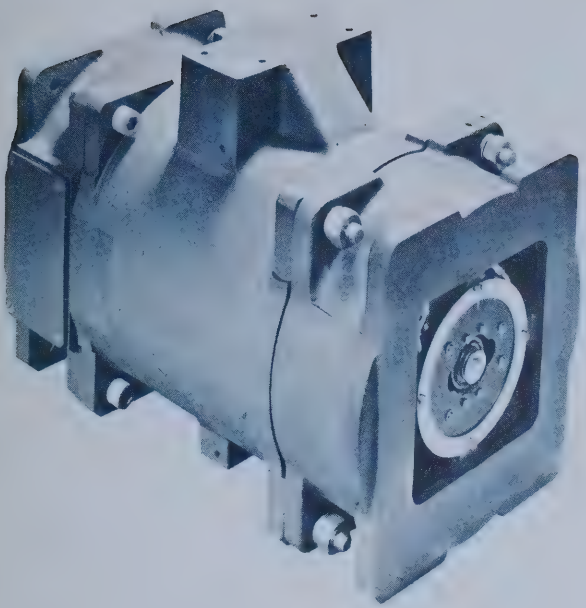
Vice President and General Manager

Despite heavy competition in most product lines, the Electrical Division increased shipments and bookings. Manufacturing departments improved methods with the installation of new production lines and many numerically controlled machine tools. In some areas, product lines have been consolidated to provide larger production runs, and some unprofitable products have been discontinued.

The Switchgear Group continued to develop important products for the utility market, and maintain "Delta-Star" leadership. This Group developed: 345 KV and 765 KV vertical reach switches with a design that saves space and improves station appearance; the highest capacity generator bus with air isolated phase designs and complete testing up to 40,000 ampere capacity; and, from the Springdale plant, electrical distribution equipment as stock items to meet the need for group-operated dis-



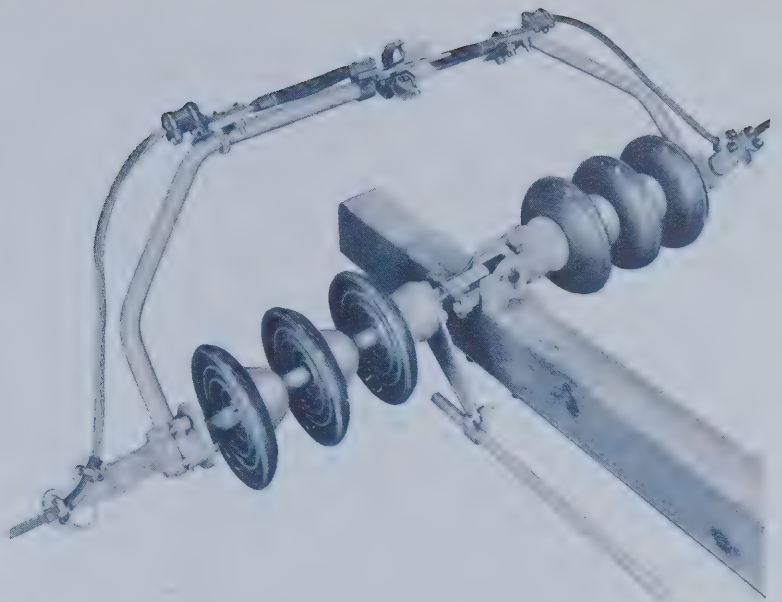
"Marlo" multizone central station units are capable of supplying heated or cooled air simultaneously and independently to several zones.



An example of specialized capability is this torque motor used with missile handling systems on Navy vessels.

connect switches. The "Mark 40" vertical break switch, developed several years ago, continues its excellent performance, and was sold in 500 and 735 KV sizes through 4000 amperes for many important new installations.

The Air Conditioning Group increased shipments and bookings substantially over the previous year, with both reaching an all-time high. New products introduced included "Dialatemp" packaged rooftop units, chilled water units, and refined fans and blowers catalogued with sound power ratings to facilitate selections by consulting engineers. Also introduced were new and improved electric motors



TL-60 "Trans-Line" switches fill the need for an economical line of group-operated pole top disconnect switches utilized in distribution systems.

of the permanent magnet type for D. C. current, and units meeting U. S. Bureau of Mines requirements for use on permissible equipment. At the Warren plant, contracts were placed for increased production facilities for centrifugal blowers, and construction of a new testing laboratory with modern air capacity and sound measuring equipment.

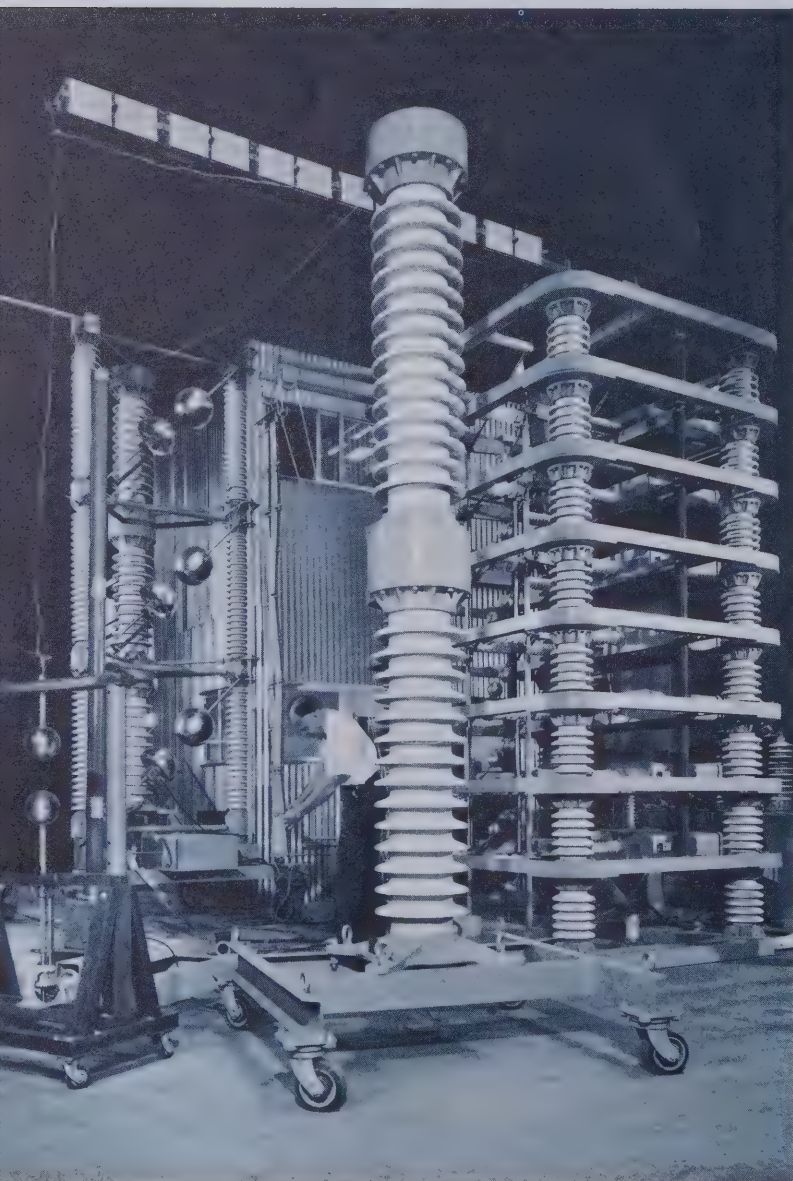
The Transformer Group continued concentration on the expanding market for residential underground distribution systems. It introduced a line of single-phase pad mounted and single-phase submersible transformers, and expanded the three-phase pad mounted line.



Largest single order of "National Electric" Trenchduct—almost six miles—was delivered for the new U. S. Steel headquarters building in Pittsburgh. It provides a flexible, easily-accessible electrical distribution system.

Manufacturing facilities at both Belmont and Lynchburg are being improved for distribution and power type transformers; and a new stocking program with strategically located warehouses has been developed. A significant installation at the Belmont Works was an impulse generator, the largest in the West. Industrial products from the Lynchburg plant were expanded to serve increasing needs for electrification of cranes, hoists, and other moving equipment requiring a constant source of electrical energy.

The Electrical Construction Group completed the modernization program for electrical metallic tube (EMT); the production line operates at increased speeds with improved product quality. Several new machine tools were also installed for production efficiencies. Delivery of the large order of "National Electric" Trenchduct—almost six miles—for the new 64-story U. S. Steel headquarters building in Pittsburgh was completed. Trenchduct provides a flexible, accessible electrical distribution system.



At Belmont Works, modern transformer testing equipment includes a new impulse generator, the largest in the West.

FABRICATED METALS DIVISION

Functional and decorative cold formed sections; forged steel and aluminum fittings and branch connections; copper-base, stainless steel and nickel base alloys in wire, rod and strip; fine wire specialties in both ferrous and nonferrous metals. Plants at Frankfort and Richmond, Ky.; Riverside, N. J. and Prospect Park, Pa.

Charles R. Rinehimer

Vice President and General Manager

Total Division sales were about the same as in 1968 despite the sale of Stuarts Draft Works and the closing of the Prentiss Works. Sales are expected to increase during 1970 through concentration on specialized markets and expansion of existing and new product lines, although lack of sales momentum in the automobile industry is having a depressing effect on operations at Coldform Works.

The Alloy Works introduced carpet wire, stranded wire, a new grade of resistance wire, and solder plated wire. New equipment installed included a tandem rolling mill, additional stranding equipment, larger take-up units, and a coil grinder.



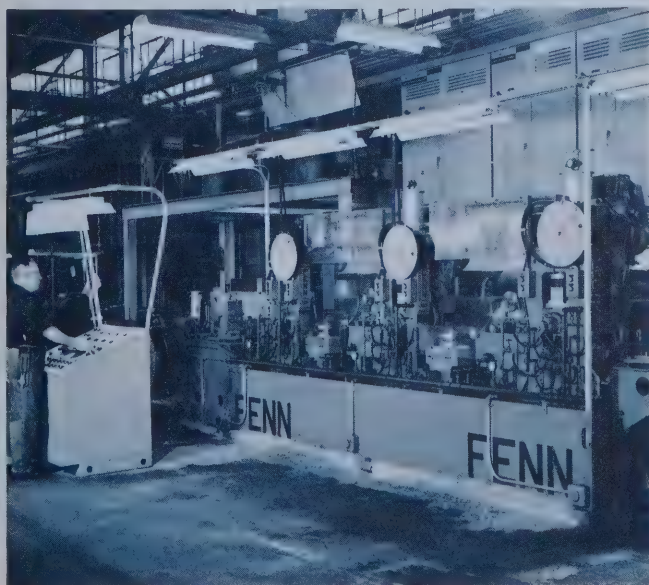
W-S forged steel teelets are utilized as branch connections for heating, cooling, and fire line systems.



Riverside Works supplies alloys utilized in manufacturing electrical contact points for telephone equipment.

In order to meet increasing demands, a scheduled expansion at Alloy Works will house additional fine wire equipment such as spooling, stranding, diamond die polishing, and auxiliary equipment. Process equipment being added includes vacuum annealing, baking, vapor degreasing, roll grinding, and straightening equipment.

The Coldform Works will continue to expand its capabilities for the appliance, architectural, and automotive markets. First, equipment has been ordered that will bond plastic to metal sections for the automotive industry. Second, the Works is currently working with a major chemical company in the development of a new and proprietary kind of automotive trim. Third, new contracts covering secondary assembly operations on architectural products have been obtained.



Three stand flat wire mill installed at Alloy Works.

The Riverside Works was again affected by a fluctuating copper market. Both Riverside and Alloy experienced difficulties in obtaining nickel and its alloys during the prolonged nickel strike. Nevertheless, sales increased at both plants.

The communications and electronics industry continued to provide the largest market for Riverside products. Equipment transferred from Prentiss Works supplemented and broadened the manufacturing capability. Volume orders have been received for a new copper nickel tin alloy developed in conjunction with a leading communication company.

During 1969, W-S forged fittings were utilized primarily by the petrochemical, utility, shipbuilding, and hydraulic industries. The fittings now conform to nuclear piping codes for the utility industry. Special valves and fittings are being developed for use under severe conditions. In early 1970, new equipment will be installed to increase production of unions.



Coldform Works roll forms stainless cladding for new General Motors signs and supporting I-beams.

REFRACTORIES DIVISION

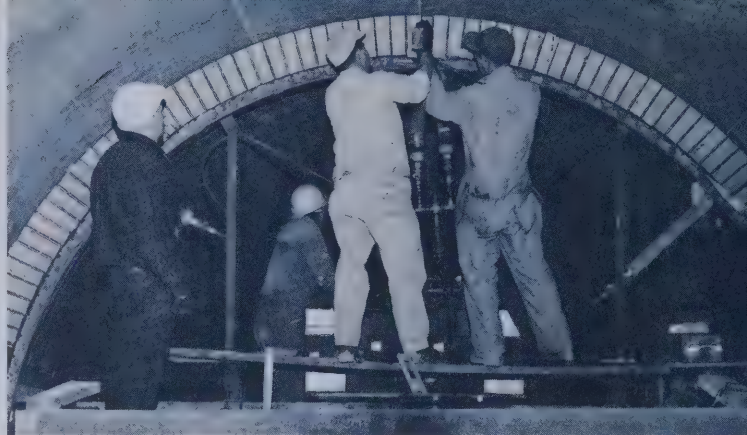
Manufacturers of a complete line of basic, pitch-bonded periclase, mullite, fireclay, high alumina and pouring pit refractories for use in steel, ferrous, nonferrous, cement, glass, aluminum, copper and all other industries. Standard brick, monolithic, suspended arches and supported wall constructions. Ten plants in Bessemer, Ala.; Shelton, Conn.; Pascagoula, Miss.; Fulton, Mo.; Hammondsville, Irondale, Uhrichsville, and Wellsville, Ohio; St. Charles and Vanport, Pa.

J. Allen Pierce

Vice President and General Manager

Total sales in 1969 increased roughly in proportion to the increase in raw ingot production by the steel industry. A planned, continuing market diversification for 1970 should help extend the sales trend.

The refractories industry in general keeps moving to further specialization, as indicated by new brands added to Division lines during the past year. The Ohio ladle brick plants developed a 50 percent alumina bloating type brick for lining steel teeming ladles; and a sizeable expansion program is planned at the Wellsville plant to increase production of the brick.



Porter Kilmag, a superior basic brick, being installed in hot zone of modern large diameter cement kiln.

The Fulton Works is now producing Spallac HF, a hi-fired, super duty fireclay brick, and Ulac, a hi-purity 60 percent alumina brick. Both products are designed for outstanding resistance to shrinking at high temperature, and for minimum penetration by metal and slag in metal refining and heating processes.

During the past year, direct bonded basic brick from the Pascagoula Works gained complete acceptance from major customers. An expansion program for 1970 will increase seawater periclase production capability by about 10 percent.

Although the Christy Works and property in St. Louis were sold, arrangements have been made to supply customers with glass pots and specialty products previously produced at the plant.



New forklift truck at Mullite Works has an in-transit, electronic weighing scale to assure precise aggregate proportions.

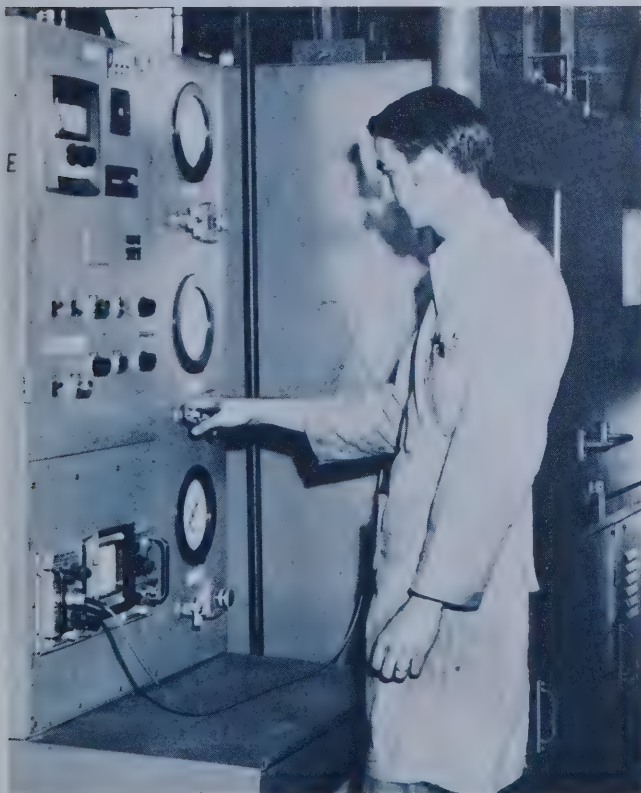
Extar-BI, tar-impregnated refractory brick, lines basic oxygen furnace used for producing steel.

Sampling of Thermoid flexible woven lining products manufactured by the Textile and Friction Group.

THERMOID DIVISION

Asbestos Group: asbestos textile products including cloth, carded fiber, lap, rope, roving, tape, wick, and yarn. Rubber Group: industrial and automotive hose, belting, sponge rubber, V-belts, rotary hose, tape and molded rubber goods. Textile and Friction Group: wire-reinforced ducting, power transmission belts, automotive friction products including brake linings and clutch facings, and polyvinyl chloride impregnated conveyor belts. Plants at Middletown, Conn.; Huntington and Lafayette, Ind.; Chanute, Kan.; Richmond, Ky.; St. Louis, Mo.; Charlotte and Davidson, N. C.; Bellefontaine, Ohio; Philadelphia, Pa.; Bennettsville, S. C. and Nephi, Utah.

The Division increased over-all sales during 1969, and enters 1970 with all labor agreements settled, new lines ready, and new product developments under way in all areas. Marketing planning activities range from an in-depth sales territory audit and field sales realignment for more effective service to a continuing computer analysis of sales coverage and a dynamic advertising and promotion program stressing Thermoid dependability.



Typical of new sophisticated quality control equipment utilized by the Rubber Group is this hydraulic hose impulse and proof test machine, probably largest in the industry.

Asbestos Group

K. W. Sulser

Group General Manager

An important expansion of the Asbestos Group resulted from the acquisition of a fully integrated asbestos yarn and cloth plant, which was purchased from Tallman-McCluskey, St. Louis.

New products introduced in 1969 were rewettable lagging brattice cloth for the commercial insulation field; Therm-O-Gard aluminized asbestos for the safety clothing field; and Lint Free Knitted Porter-site Felt, a product that reduces lint and dust by up to 50 percent. In anticipation of increased demands for more sophisticated asbestos products, new equipment has been installed to increase manufacture and treating of certain cloth grades.

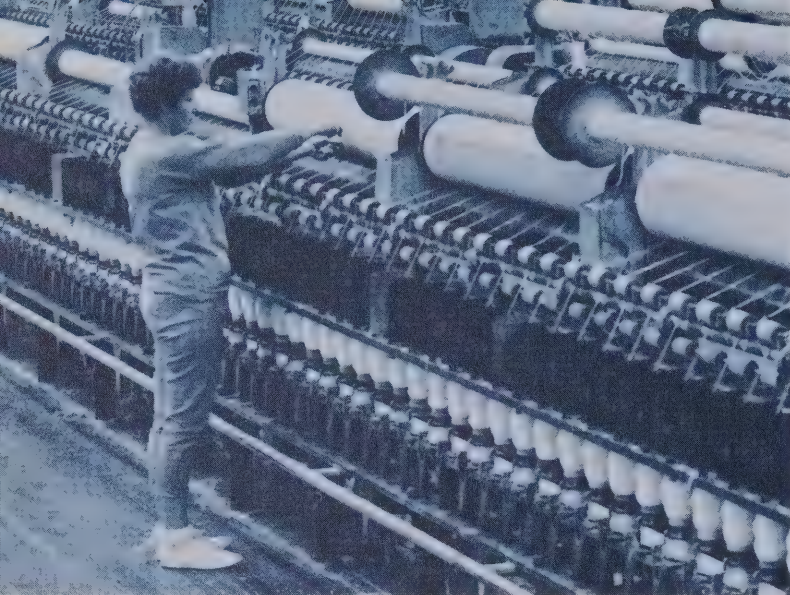
A steady demand is expected for asbestos products in the shipbuilding, dryer felt, mechanical packing, and safety clothing industries. To meet it, improvements are being made in the nationwide distribution system, and Research and Development programs are concentrating on key areas.

Rubber Group

B. J. Ferkes

Group General Manager

During the past year, the Rubber Group consolidated the manufacture of sheeting belts and molded goods at the Quaker Works. This move



In the critical winding operation, this battery of winders assures top quality asbestos yarn supplied to customer specifications.

permits greater efficiency as well as an increase in width capacity. At Bellefontaine Works, which went on stream in 1969, a new process for making industrial hose utilizes advanced techniques to manufacture hose continuously at high speeds.

New equipment installed at Brown Rubber Works is designed specifically for molded curing of open cell sponge products. It makes possible the production of complex designs such as are used in window seals for hardtop automobiles. At Nephi Works, three new impulse testing units were installed, with one of them having an operating capacity of 10,000 P.S.I., perhaps unequalled in the industry.

Other accomplishments in 1969 included: redesign of the hydraulic hose product line to meet the new Society of Automotive Engineers specifications; expansion of the Versaflex conveyor belting line to include higher working tensions; broadening of the rotary hose line up to 6 inches inside diameter. This hose is widely used in the oil drilling industry, particularly by pipe laying barges, for high pressure jetting hose.

During 1970, the Rubber Group plans to install belt presses at Quaker and Nephi Works; modernize mixing equipment at Quaker; initiate manufacture of curved molded hose at Bellefontaine; and introduce an expanded line of heavy duty V-belts for trucks and buses.

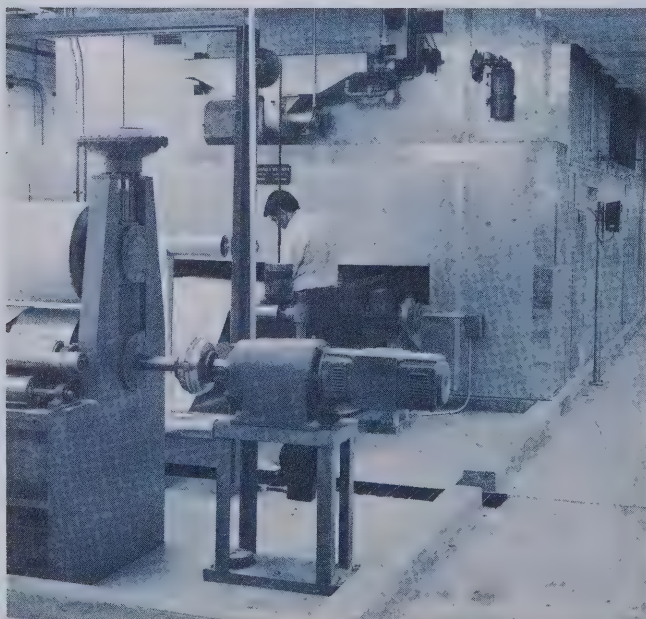
Textile and Friction Group

Michael Allik

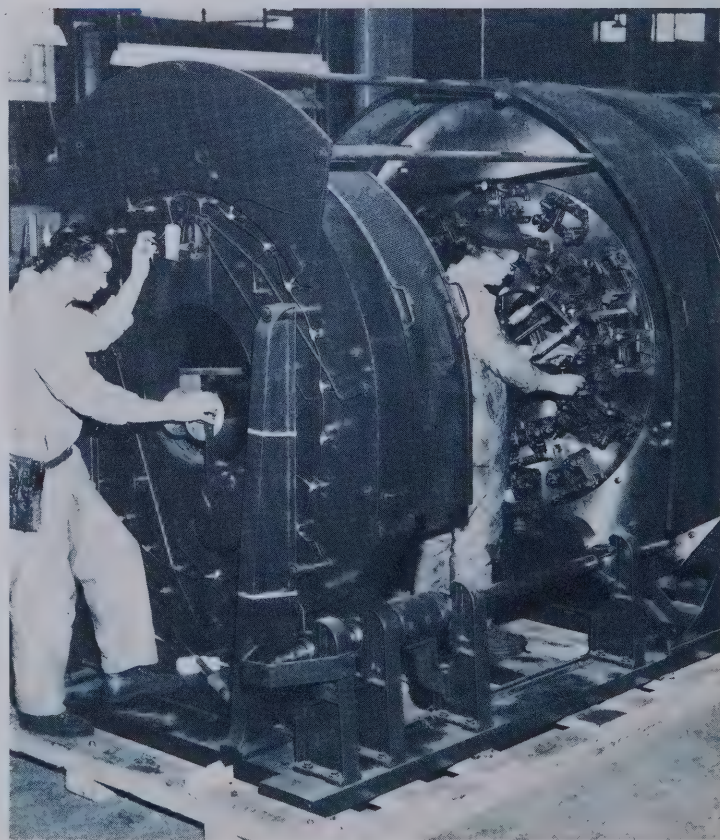
Group General Manager

The most significant developments for the Textile and Friction Group in 1969 were: introduction and successful application of Portoblock; design of a new brake block for heavy duty trucking; development of disc brake lining for passenger cars and light trucks; and completion of a line of woven Teflon fabrics for structural bearings, such as bridge bearings.

New products scheduled by the Group include flexible air conditioning ducting in more sizes, capacities, and ratings; automotive air conditioning and defrosting ducting; expanded varieties of automotive brake lining and high speed aluminum-backed clutch facings; and posidrive precision belts for computers, data processing systems, and office copy machines.



Recently-installed tenter frame heat treating equipment at the Charlotte Works improves both quality and production of treated asbestos cloths.



One of the two new spiral braiding machines, for hose reinforcement operations, being readied for installation at Nephi Works.

OPERATIONS REPORT International

H. K. Porter Australia Pty. Limited

Handsaws, hardware, circular saws and saw milling equipment, automotive friction materials and automotive accessories. Plants at Perth and St. Marys, Australia.

Harry A. Mayoh
Managing Director

Sales increased in 1969, and necessary facility improvements were made to meet the demand.

Penetration of the automotive brake lining market has been steady, and is expected to continue. As a result of successful testing and approval of Australian-made Thermoid clutch facings by General Motors, Porter is now the leading supplier of the product in the country.

Rewettable asbestos lagging cloth, developed by the Thermoid Division in the United States, is being imported successfully. The Royal Australian Navy has advised that the product will be specified on future contracts.

Increased exports of Disston handsaws are anticipated for 1970, particularly to southeast Asian nations. Industrial saw manufacture at Perth ran at capacity during 1969, and expansion of the facility is planned for the coming year.

H. K. Porter do Brasil (Alcace) S.A.

Electrical equipment for industrial and utility use, including lightning arresters, fuse cutouts, switches, terminators, electric motors, connectors and motor starters; industrial and automotive friction materials. Plants at Maua, Recife and Sao Paulo, Brasil.

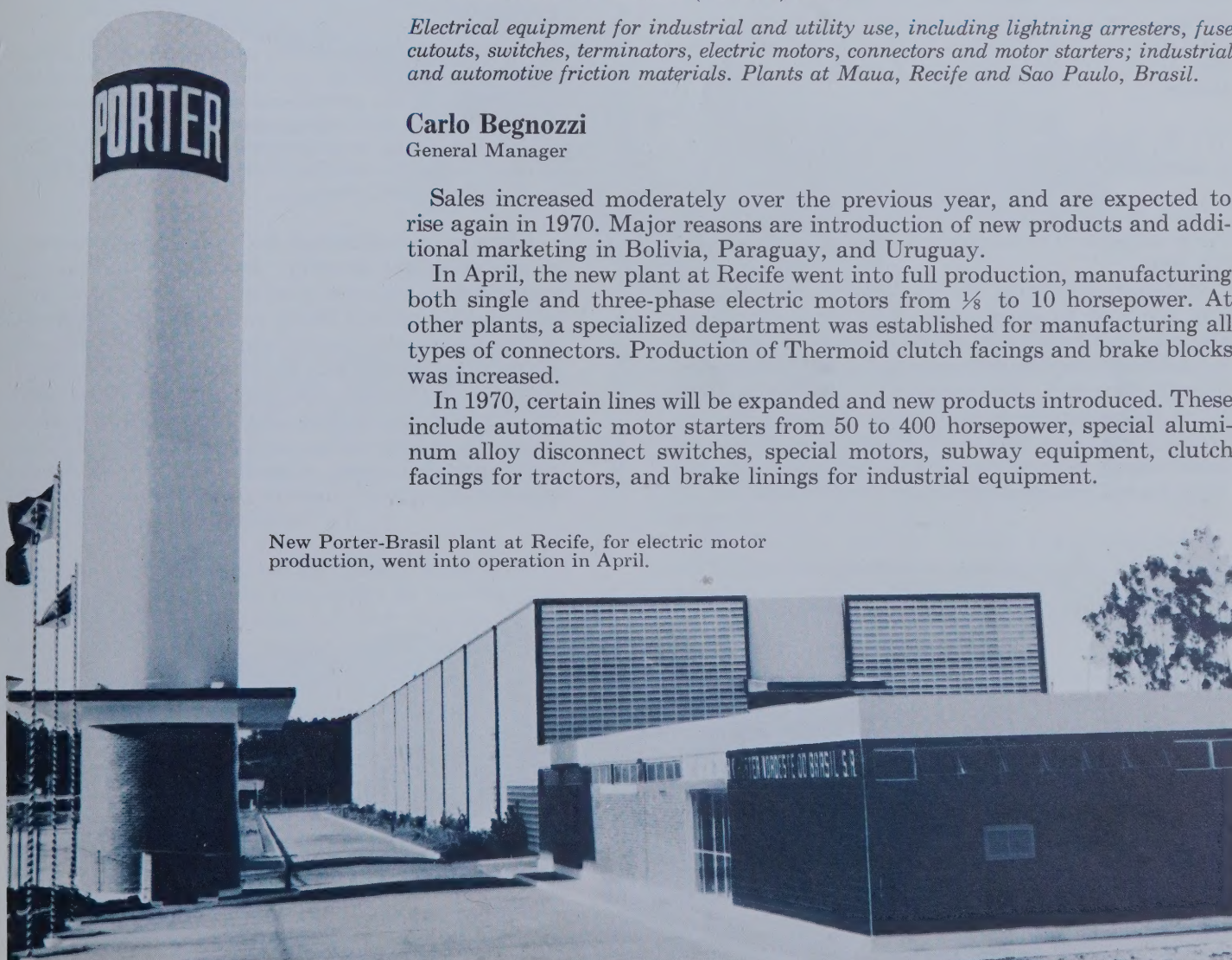
Carlo Begnozzi
General Manager

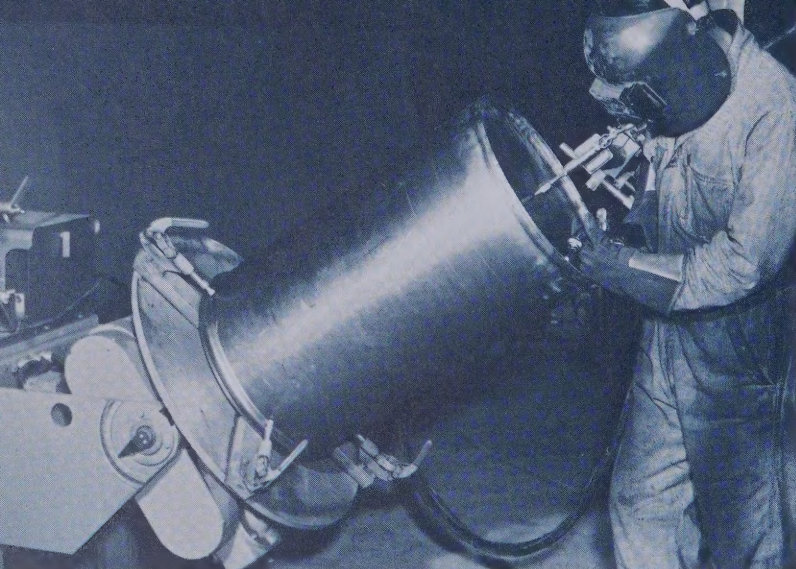
Sales increased moderately over the previous year, and are expected to rise again in 1970. Major reasons are introduction of new products and additional marketing in Bolivia, Paraguay, and Uruguay.

In April, the new plant at Recife went into full production, manufacturing both single and three-phase electric motors from $\frac{1}{8}$ to 10 horsepower. At other plants, a specialized department was established for manufacturing all types of connectors. Production of Thermoid clutch facings and brake blocks was increased.

In 1970, certain lines will be expanded and new products introduced. These include automatic motor starters from 50 to 400 horsepower, special aluminum alloy disconnect switches, special motors, subway equipment, clutch facings for tractors, and brake linings for industrial equipment.

New Porter-Brasil plant at Recife, for electric motor production, went into operation in April.





New semi-automatic machine at Woodstock plant was installed for welding bottoms in transformer tanks.

H. K. Porter Company (Canada) Limited

Metal and wood cutting saws and blades, machine knives, trowels, refractories, transformers and relays, electrical underfloor duct and surface raceway systems, floor boxes, fittings, disconnect switches, current collector systems, vinyl electrical tape. Plants in Vancouver, British Columbia; Acton, Galt and Woodstock, Ontario; St. Romuald, Quebec.

W. H. Hohn President

Two acquisitions and a new licensing arrangement materially broadened the product line during the year.

Cansfield Electrical Works Limited, of Toronto, was acquired to assist entry into the distribution and power transformer market. After completion in mid-year of a 50,000 square foot addition to the Woodstock plant, the Cansfield operation moved there. New equipment, to improve efficiency and increase production, was also installed, and all manufacturing operations for the Canadian Electrical Division are now centralized at Woodstock.

The acquisition of Shurly-Dietrich-Atkins Company Limited, the only Canadian manufacturer of jig and reciprocating saw blades, added an important group of new products to the Disston Division. It also strengthened capabilities in the metal band and other industrial product lines.

Late in the year, Porter-Canada was licensed to manufacture and market the British EMS current conductor system. This new product extends the present "Delta-Star" line to lower current ranges, and substantially widens marketing capabilities.

PORTER-EUROPE

The reorganization effected in 1968 for consolidated European management has resulted in a significant improvement of all facilities. Sales in Europe as well as other world markets have expanded, and 1970 will see continuing efforts to increase exports.

Peter K. Studner

General Manager, European Operations

France

Railroad freight and tank cars, vehicle components, carbon and alloy steel castings for heavy industry, fabricated equipment for the petrochemical and steel industries, pressure vessels, hydraulic components including pumps, distributors, jacks, control systems, vinyl electrical tapes, ducting, industrial hoses and hand tools. Plants at Haillcourt and Marpent, France.

Plans were completed for major improvements at the Marpent foundry; additional facilities are scheduled to increase production of railroad cars, axles, tank cars, and heavy construction equipment. A new department started manufacture of Thermoid industrial, aircraft, and air conditioning ducting.

At the Hydraulics Division, new products ready for introduction include distributors, gear pumps, hydraulic power units, and motor pumps. New equipment has been ordered to enable increased production.

Tank car manufactured by Marpent Division carries light petroleum products, and has a 22,000 gallon capacity.



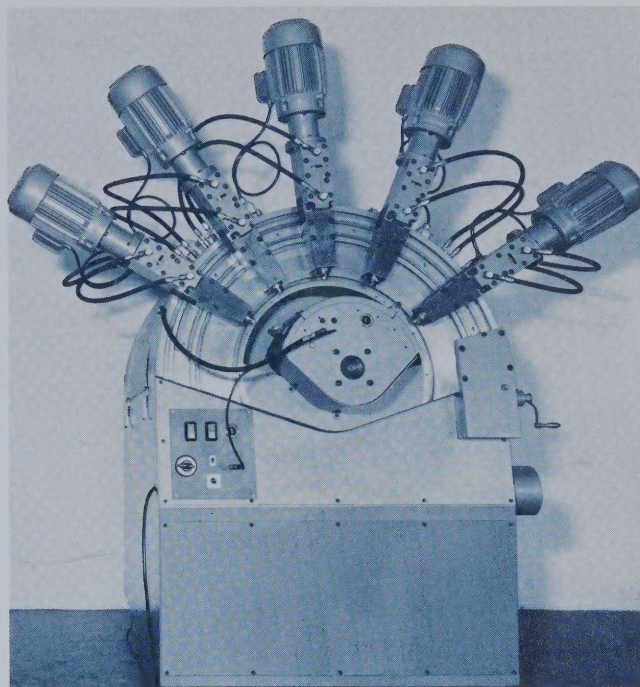
Netherlands

Industrial and automotive friction products including brake blocks, brake linings, and clutch facings. Plant: Klazienaveen, Netherlands.

Holland-made products gained in market acceptance during 1969. Progress is expected to continue during 1970 with the installation of new facilities for greater production.

Coordinated sales and service with the Friction Works in the United Kingdom has been effected, resulting in an over-all improvement in Thermoid product sales. Emphasis will continue on increasing export sales.

Multiple drilling machine for brake linings and brake blocks at Klazienaveen, Holland.



The King Aircraft Division supplies V-band clamps and seals used in fuel and air conditioning systems for the supersonic Concorde.

United Kingdom

Aircraft and engine accessories including special lines of fasteners, clamps, and couplings. Airplane arrester gear and proximity delivery systems. Cargo control and special winching equipment. Industrial clips and clamps. Synthetic and natural rubber products including hoses, moldings, extrusions, gaskets, ducting, conveyor belting, brake linings and clutch facings. Plants at Newcastle, England; Glasgow and Stirling, Scotland.

New sales to the original equipment market have resulted from combining technology at the Friction Materials Works with those of other friction facilities. Thermoid friction materials have become in-

creasingly important for quality applications, and the present pattern of growth is expected to continue in 1970.

The King Aircraft Division increased sales, with an important portion from deliveries of aircraft arresting gear and related equipment for the British Government. Cargo control equipment, clamps, and fasteners also gained in sales.

The Stirling Rubber Works has completed a marketing reorganization program aimed at greater sales emphasis on rubber hose products to the Government, the oil industry, and industrial cleaning equipment manufacturers.

H. K. Porter Company de Mexico, S.A.

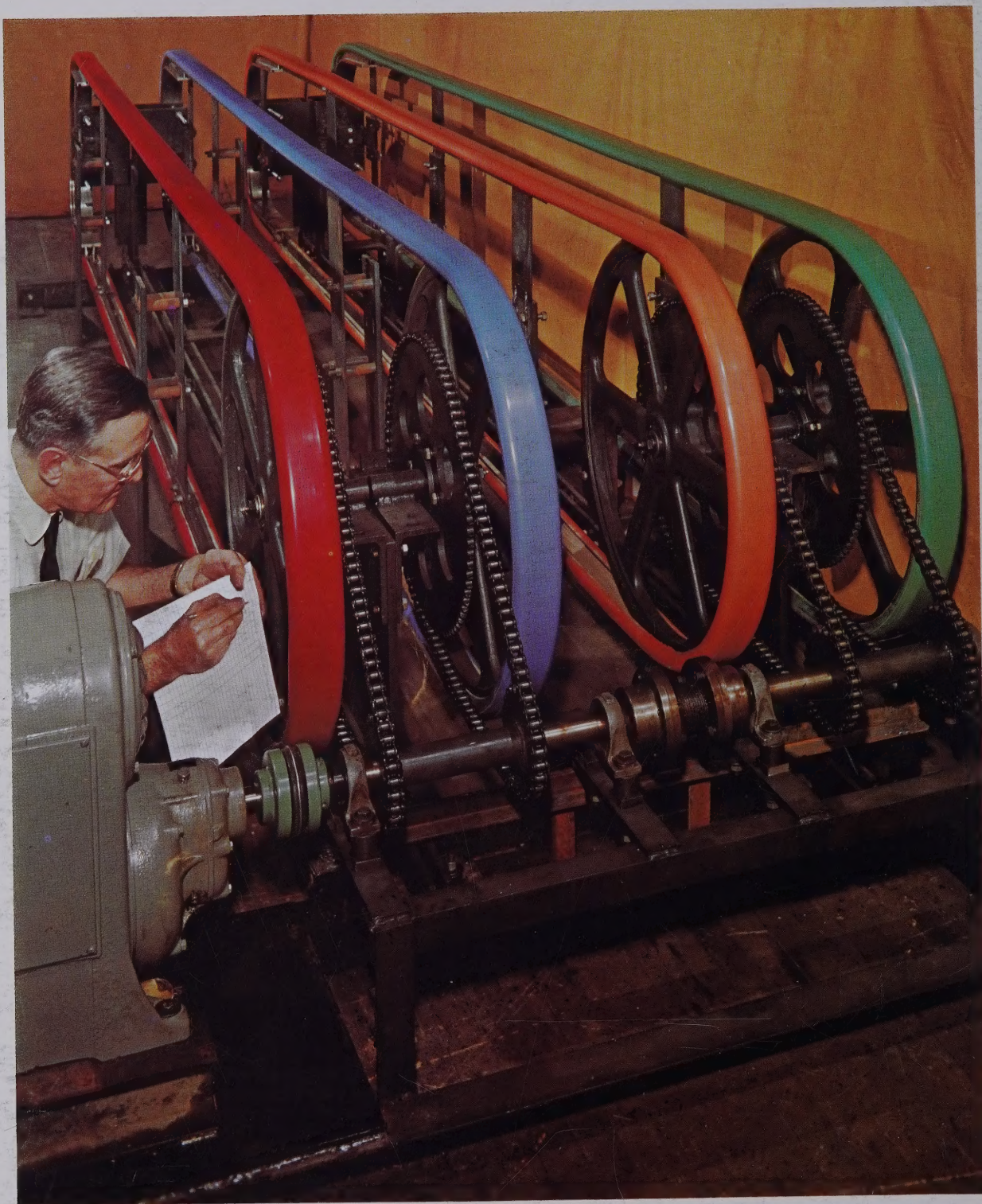
Automotive brake linings and clutch facings, handsaws and trowels. Plant: Mexico, D. F.

J. L. Olivares

Manager

Sales increased during the year, with clutch facings leading the way. Thermoid brake linings and Disston products showed moderate increases.

Improvements in quality control of friction products have resulted from installation of the finest testing equipment in the area. These include a burst machine, friction machine, and related equipment for testing clutch facings and clutch linings. Also, Thermoid warehouses have been opened at Guadalajara and Monterrey to provide better customer service at the Pacific zone and part of the North zone markets.



A leading manufacturer of escalator handrails, the Thermoid Division insures consistent quality by subjecting the products to accelerated life testing on machines such as the one shown above.

PORTER

**H. K. PORTER COMPANY, INC.
PITTSBURGH, PENNSYLVANIA**